



February 4, 2005

Advice 2621-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code 610C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
Internal: 223.4977
Fax: 415.973.7226
Cellular: 415.517.5067
Internet: BKC7@pge.com

Subject: Rate Reduction Bonds – Recovery of Franchise Fees

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariffs. The affected tariff sheets are listed on the enclosed Attachment I.

Purpose

PG&E hereby requests recovery of the franchise fees paid to cities and counties in conjunction with the revenues received by PG&E under electric Preliminary Statement Part AS-- *Fixed Transition Amount Charge*. All revenues received under this tariff are required by the Financing Order Decision (D.) 97-09-055 in PG&E's Rate Reduction Bond (RRB) proceeding and by the servicing agreement with PG&E's Funding LLC to be conveyed to the bond trustee for repayment of the RRBs and associated financing costs. Therefore, PG&E requests recovery of the associated franchise fees paid to cities and counties that are not covered by current tariffs, through an entry in the Preliminary Statement Part CZ--*Distribution Revenue Adjustment Mechanism (DRAM)*.

Background

Decision 97-09-055 established the ratemaking mechanisms to be used for recovery of cost associated with the RRBs. It identified the cost to be recovered from Fixed Transition Amount Charges and the benefits and costs included in the Preliminary Statement Part AT-- *Rate Reduction Bond Memorandum Account*. One cost item, the franchise fees associated with the Fixed Transition Amount revenues, was inadvertently omitted from these ratemaking mechanisms.

When PG&E modeled the ratepayer savings calculations in its prepared testimony (Chapter 4) in the RRB proceeding, related franchise fees in the revenue requirement calculations were included for both the asset amortization (Table 4-A, page 4-8, line 22) and the bond repayment (Table 4-A, pages 4-9 through 4-11, line 31) alternatives. The Financing Order (D. 97-09-055, page 16) discusses ratepayer benefits "...calculated in accordance with the bond sizing model

described in PG&E's prepared testimony..." and Finding of Fact 3 states, "Residential and small commercial customers will benefit from the issuance of rate reduction bonds and the reduction of rates provided that the net present value of fixed transition amounts and rate reductions is positive when calculated in accordance with the methodology set forth by PG&E in its application and related testimony." Therefore, it was clearly PG&E's intention to include related franchise fees in both the cost and the benefits of the RRB transactions.

Consistent with the franchise fees associated with recovery of the Department of Water Resources bond charge and consistent with Southern California Edison Company's inclusion of these franchise fees for its RRBs in distribution rates, PG&E requests that the recorded franchise fees associated with its Fixed Transition Amount revenues be recorded in the DRAM for recovery in distribution rates.

Tariff Revisions

In accordance with D. 97-09-055, the DRAM is modified to add language to Part 5, Accounting Procedures, for recovery of franchise fees as follows:

A debit entry for the franchise fees paid by PG&E associated with the revenue received by PG&E under electric Preliminary Statement Part AS--*Fixed Transition Amount Charge*, calculated in proportion to total franchise-applicable revenue.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **February 24, 2005**, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief – Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address.

The protest should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

February 4, 2005

Pacific Gas and Electric Company
Attention: Brian Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

PG&E requests that this advice filing become effective on regular notice, **March 16, 2005**, which is 40 days after the date of filing.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for A. 04-07-032. Address changes should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>

Brian K. Cherry

Director, Regulatory Relations

Attachments

cc: Service List A. 04-07-032

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
22744-E	Preliminary Statement – Part CZ – Distribution Revenue Adjustment Mechanism	21650-E
22745-E	Table of Contents (Cont'd) – Preliminary Statements	22631-E
22746-E	Table of Contents	22635-E



PRELIMINARY STATEMENT
(Continued)

CZ. DISTRIBUTION REVENUE ADJUSTMENT MECHANISM (DRAM) (Cont'd.)

5. ACCOUNTING PROCEDURES: (Cont'd.)

- e. A credit entry equal to the debit entry in the California Alternative Rates for Energy Account (CARE) that corresponds to the actual CARE revenue shortfall. The corresponding debit entry is defined in PG&E's electric Preliminary Statement Part M.
- f. A credit entry equal to the recorded amount of revenue cycle services credits given to customers for revenue cycle services provided by entities other than PG&E.
- g. A credit entry equal to the amount of Shareholder Participation, as defined in Section 6 below.
- h. A debit entry equal to the payment to fund PG&E Environmental Enhancement Corporation plus an allowance for FF&U, pursuant to the Chapter 11 Settlement Agreement Paragraph 17c adopted in Decision 03-12-035.
- i. A debit entry for the franchise fees paid by PG&E associated with the revenue received by PG&E under electric Preliminary Statement Part AS--Fixed Transition Amount Charge, calculated in proportion to total franchise-applicable revenue (N)
|
(N)
- j. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

6. SHAREHOLDER PARTICIPATION: PG&E's shareholders bear some responsibility for economic risks and rewards associated with, but not limited to, Commission-approved economic discounts and credits to certain PG&E customers. This section ensures that ratepayers will not assume shareholders' obligations.

Shareholder Participation will be calculated monthly as follows:

The amount of the Shareholder Participation Mechanism for Schedule ED, in accordance with Resolution E-3654.



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**PG&E Gas and Electric Advice
Filing List
General Order 96-A, Section III(G)**

ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Eisesser
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Chevron USA Production Co.
Childress, David A.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Constellation New Energy
Cooperative Community Energy
CPUC
Creative Technology
Cross Border Inc
Crossborder Inc
CSC Energy Services
Davis, Wright Tremaine LLP
Davis, Wright, Tremaine, LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
DGS Natural Gas Services
DMM Customer Services
Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynergy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Enron Energy Services
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
Gas Transmission Northwest Corporation
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Hanna & Morton
Heeg, Peggy A.
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
Interstate Gas Services, Inc.
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Luce, Forward, Hamilton & Scripps
Marcus, David
Masonite Corporation
Matthew V. Brady & Associates
Maynor, Donald H.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
Office of Energy Assessments
Palo Alto Muni Utilities
PG&E National Energy Group
Pinnacle CNG Company
PITCO
Plurimi, Inc.
PPL EnergyPlus, LLC
Praxair, Inc.
Price, Roy
Product Development Dept
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra
Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Simpson Paper Company
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
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Tabors Caramanis & Associates
Tansev and Associates
Tecogen, Inc
TFS Energy
Transwestern Pipeline Co
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA